

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Holton Township	County Muskegon
Audit Date 6/30/05	Opinion Date 9/8/05	Date Accountant Report Submitted to State: 11/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

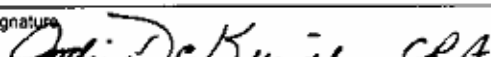
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hendon & Slate, P.C.			
Street Address 711 W Main	City Fremont	State MI	ZIP 49412
Accountant Signature 		Date 11/15/05	

**HOLTON TOWNSHIP
MUSKEGON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2005**

HOLTON TOWNSHIP
Board Members

Supervisor	Mickey Noble
Clerk	Melanie Johnson
Treasurer	Bill Halbower
Trustee	Ruth Monette
Trustee	Alan Wilson

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Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



September 8, 2005

Township Board
Holton Township
Muskegon County
Holton, MI 49425

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Holton Township, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township, Michigan, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 23 through 26, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holton Township, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 3.2% from a year ago, increasing from \$1.20 million to \$1.23 million. This was the result of revenues exceeding expenditures as reflected in the increase in current assets, especially cash. In a condensed format, the table below shows key financial information:

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Current Assets	\$ 848,245	\$ 810,864
Noncurrent Assets	<u>528,070</u>	<u>479,191</u>
Total Assets	<u><u>\$ 1,376,315</u></u>	<u><u>\$ 1,290,055</u></u>
Long-Term Debt Outstanding	\$ 72,255	\$ 43,032
Other Liabilities	<u>66,530</u>	<u>47,297</u>
Total Liabilities	<u><u>\$ 138,785</u></u>	<u><u>\$ 90,329</u></u>
Net Assets		
Invested in Capital Assets-Net of Debt	\$ 422,085	\$ 413,555
Restricted	47,481	46,635
Unrestricted	<u>767,964</u>	<u>739,536</u>
Total Net Assets	<u><u>\$ 1,237,530</u></u>	<u><u>\$ 1,199,726</u></u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$28,428 for the governmental activities. This represents an increase of approximately 3.89%.

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Program Revenues		
Charges for Services	\$ 75,755	\$ 89,669
General Revenues		
Property Taxes	180,752	170,613
State Shared Revenues	195,237	205,036
Investment Earnings	10,827	8,557
Miscellaneous	<u>22,418</u>	<u>19,638</u>
Total Revenues	484,989	493,513

Management's Discussion and Analysis (Continued)

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Program Expenses		
General Government	\$ 195,012	\$ 283,826
Public Safety	138,829	81,861
Public Works	60,551	49,920
Recreation & Culture	20,540	20,526
Other	19,465	-
Unallocated Depreciation	10,915	9,704
Interest on Long-Term Debt	<u>1,873</u>	<u>2,342</u>
Total Expenses	<u>447,185</u>	<u>448,179</u>
Change in Net Assets	<u>\$ 37,804</u>	<u>\$ 45,334</u>

The Township's total net assets continue to remain healthy. The total revenues decreased slightly, and expenses increased. As a result, net assets grew by \$37,804, \$7,530 less than last year.

Governmental Activities

The Township's total governmental revenues decreased \$8,524. The following revenues decreased: State Shared Revenue, which dropped \$9,780 or 4.75%; Dump Fees, which dropped \$4,231 or 18.75%; and Inspections and Hearings, which dropped \$11,996 or 35.5%. These decreases were partially offset by increases in property taxes.

Expenses decreased by about \$1,000 over the prior year.

Business-Type Activities

The Township had no business-type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2005 include the General Fund, the Fire Fund, the Fire Equipment Fund and the Perpetual Care Fund.

The General Fund pays for most of the Township's governmental services. About half of the General Fund expenditures are made up of township hall, cemetery, and general government, amounting to \$48,543; \$30,647 and \$46,947 respectively. Approximately half of the township hall and cemetery expenditures were a result of salaries and wages. The general government expenditures were almost half for professional fees and about 1/3 for insurance, pension and payroll taxes.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not find it necessary to amend the budget to take into account events during the year. However, the Board over-expended on several activities as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At the end of 2005, the Township had \$784,215 invested in a broad range of capital assets, including land, buildings, fire trucks and equipment, and other vehicles and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads property of the Muskegon County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2005 calls for a small increase in property taxes due to the limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that state shared revenue will remain about the same. General Fund expenditures were budgeted for 9% increase from the previous budget including \$10,000 to set aside a portion of fund balance for future township hall expenses.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

HOLTON TOWNSHIP

Government Wide Statement of Net Assets June 30, 2005

	Governmental <u>Activities</u>
ASSETS	
Cash	\$ 807,929
Accounts Receivable	28,621
Accounts Receivable - Fiduciary Funds	3,624
Prepaid Insurance	8,071
Property and Equipment	784,215
Accumulated Depreciation	<u>(256,145)</u>
Total Assets	1,376,315
LIABILITIES	
Accounts Payable	28,622
Withheld and Accrued Payroll Taxes	1,816
Accrued Pension Costs	1,854
Due to Other Units	508
Current Portion Long-Term Debt	34,491
Capital Lease - Copier	2,992
Note Payable - Tractor and Trailer	701
Note Payable - Rescue Van	17,048
Note Payable - Fire Truck	<u>50,753</u>
Total Liabilities	<u>138,785</u>
NET ASSETS	
Invested in Capital Assets Net of Related Debt	422,085
Restricted for Perpetual Care	47,481
Unrestricted	<u>767,964</u>
Total Net Assets	<u><u>\$ 1,237,530</u></u>

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Government Wide Statement of Activities For the Fiscal Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue And Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 195,012	\$ 3,987	\$ (191,025)
Public Safety	138,829	53,404	(85,425)
Public Works	60,551	18,364	(42,187)
Recreation and Culture	20,540	-	(20,540)
Other	19,465	-	(19,465)
Unallocated Depreciation	10,915	-	(10,915)
Interest on Long-Term Debt	<u>1,873</u>	<u>-</u>	<u>(1,873)</u>
Total Primary Government	<u>\$ 447,185</u>	<u>\$ 75,755</u>	(379,501)
General Revenues			
Property Taxes - Levied for General Purpose			\$ 61,249
Property Taxes - Levied for Public Safety			119,503
State Sources			195,237
Interest Income			10,827
Miscellaneous			<u>22,418</u>
Total General Revenues			<u>409,234</u>
Change in Net Assets			37,804
Net Assets - July 1, 2004			<u>1,199,726</u>
Net Assets - June 30, 2005			<u>\$ 1,237,530</u>

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Governmental Fund Balance Sheet June 30, 2005

	General <u>Fund</u>	Fire <u>Fund</u>	Fire Equipment <u>Fund</u>	Perpetual Care <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS						
Cash	\$ 450,848	\$ 199,247	\$ 90,005	\$ 48,413	\$ 19,416	\$ 807,929
Accounts Receivable	28,621	-	-	-	-	28,621
Due from Other Funds	<u>18,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,530</u>	<u>35,509</u>
Total Assets	<u>\$ 498,448</u>	<u>\$ 199,247</u>	<u>\$ 90,005</u>	<u>\$ 48,413</u>	<u>\$ 35,946</u>	<u>\$ 872,059</u>
LIABILITIES						
Accounts Payable	\$ 24,536	\$ 3,586	\$ -	\$ -	\$ 500	\$ 28,622
Withheld and Accrued						
Payroll Taxes	1,366	436	-	-	14	1,816
Accrued Pension Costs	691	1,163	-	-	-	1,854
Due to Other Funds	-	24,950	6,003	932	-	31,885
Due to Other Units	<u>328</u>	<u>170</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>508</u>
Total Liabilities	26,921	30,305	6,003	932	524	64,685
FUND BALANCES						
Unrestricted	471,527	168,942	84,002	-	35,422	759,893
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,481</u>	<u>-</u>	<u>47,481</u>
Total Fund Balance	471,527	168,942	84,002	47,481	35,422	807,374
Total Liabilities and Fund Balance	\$ 498,448	\$ 199,247	\$ 90,005	\$ 48,413	\$ 35,946	\$ 872,059

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended June 30, 2005

Total Governmental Fund Balances	\$ 807,374
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period.	8,071
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	784,215
Governmental Accumulated Depreciation	(256,145)

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General Obligation Debt	<u>(105,985)</u>
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Total Net Assets - Governmental Activities:	<u><u>\$ 1,237,530</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance For the Fiscal Year Ended June 30, 2005

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Fire Equipment Fund</u>	<u>Perpetual Care Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Property Taxes	\$ 61,249	\$ 83,008	\$ 29,079	\$ -	\$ 7,416	\$ 180,752
Licenses and Permits	2,990	-	-	-	-	2,990
State Sources	194,114	-	-	-	1,123	195,237
Federal Sources	-	-	-	-	744	744
Charges for Services	44,114	31,641	-	-	-	75,755
Interest	6,853	2,089	969	746	170	10,827
Miscellaneous	<u>16,013</u>	<u>1,841</u>	<u>-</u>	<u>100</u>	<u>730</u>	<u>18,684</u>
Total Revenues	325,333	118,579	30,048	846	10,183	484,989
Expenditures						
General Government	213,571	-	-	-	-	213,571
Public Safety	38,183	81,152	1,479	-	1,706	122,520
Public Works	37,689	-	-	-	25,862	63,551
Recreation and Culture	20,540	-	-	-	-	20,540
Capital Outlay	-	14,919	62,455	-	-	77,374
Debt Service	<u>-</u>	<u>-</u>	<u>27,310</u>	<u>-</u>	<u>-</u>	<u>27,310</u>
Total Expenditures	309,983	96,071	91,244	-	27,568	524,866
Excess Revenues Over (Under) Expenditures	15,350	22,508	(61,196)	846	(17,385)	(39,877)
Other Financing Sources (Uses)						
Operating Transfers In (Out)	(21,005)	-	-	-	21,005	-
Capital Lease Payments	(1,375)	-	-	-	-	(1,375)
Sale of Fixed Assets	-	-	-	-	-	-
Proceeds from Long-Term Debt	<u>-</u>	<u>-</u>	<u>62,455</u>	<u>-</u>	<u>-</u>	<u>62,455</u>
Total Other Financing Sources (Uses)	<u>(22,380)</u>	<u>-</u>	<u>62,455</u>	<u>-</u>	<u>21,005</u>	<u>61,080</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(7,030)	22,508	1,259	846	3,620	21,203
Fund Balance - July 1	478,557	146,434	82,743	46,635	31,802	786,171
Fund Balance - June 30	\$ 471,527	\$ 168,942	\$ 84,002	\$ 47,481	\$ 35,422	\$ 807,374

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ 21,203
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Amounts reported for governmental activities in the statement of activities are different because:

Prepaid Insurance reflects amounts that will be used in a future period:

Current year prepaid insurance	8,071
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The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities:

Capital outlay reported in governmental fund statements	87,129	
Capital outlay reported as expenses in statement of activities	(4,869)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) assets.	-	
Depreciation expense reported in the statement of activities	<u>(33,381)</u>	48,879

Proceeds from debt issues are another financing source in the funds, but a debt issue increases long-term obligations in the statement of net assets.

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

Proceeds from long-term debt reported in governmental fund statements	(62,455)
The amount of debt principal payments in the current year is:	<u>22,106</u>

Changes in Net Assets - Governmental Activities	<u>\$ 37,804</u>
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The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Statement of Net Assets - Fiduciary Funds June 30, 2005

	<u>Tax Fund</u>	<u>Trust & Agency Fund</u>
ASSETS		
Cash	<u>\$ 3,205</u>	<u>\$ 1,522</u>
 LIABILITIES		
Due to Other Funds	\$ 3,205	\$ 419
Due to Other Units	<u>-</u>	<u>1,103</u>
 Total Liabilities	<u>\$ 3,205</u>	<u>\$ 1,522</u>

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Holton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Holton Township:

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

- C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
- The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period. The state shared revenue payment for June 2005 was not received by June 30, 2005, therefore it is included as a receivable.

1. State Shared Revenue Receivable
State shared revenue is distributed in 6 installments per year. Often the last payment has not been received by June 30; therefore, a receivable is recorded for this amount. For fiscal year-end June 30, 2005, this amount was \$27,969.
2. Property Taxes Receivable
The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2004 delinquent taxes of \$29,360 were received in June 2005, thus no taxes receivable has been recorded.

The 2004 taxable valuation of the Township totaled \$42,494,567 on which ad valorem taxes levied consisted of 1.1078 mills for general operating, .6838 mills for fire equipment, and 1.9561 mills for fire operating raising \$61,249 for operating, \$29,079 for fire equipment and \$83,008 for fire operational. The Township also collects property taxes for street lights, the taxable value is \$4,277,801 and the millage rate is 1.700 which raised \$7,416. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the resources of property tax revenue and charges for services that are restricted for operational purposes.

The Fire Equipment Fund accounts for property tax revenues that are restricted for the purchase of fire/emergency equipment.

The Perpetual Care Fund is to account for money held by the Township for the perpetual care of cemetery lots. The interest earned on investments may be used for upkeep while the corpus is non-expendable.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories or prepaid items at year-end.

Restricted Assets - Cash in the Perpetual Care Fund is restricted. The corpus can not be spent, however income earned from the restricted cash may be used to maintain the cemetery.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years
Fire Trucks	15 to 20 years

Salvage value is estimated at 10% of cost.

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick pay benefits. Vacation benefits do not accumulate. Any unused vacation is paid annually. This year no accrual for sick pay was necessary.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. All Township long-term debt is related to equipment purchases.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were materially in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General Fund - Township Board	\$ 22,273	\$ 24,726
General Fund - Ordinance Administrator	5,428	8,650
General Fund - Parks	14,950	17,096
General Fund - Capital Lease	-	1,375
Fire Equipment Fund - Capital Outlay	29,000	62,455
Fire Equipment Fund - Debt Service	-	27,310
Fire Equipment Fund - Other	-	1,479

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks,

and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>	Fiduciary <u>Funds</u>	Total Primary <u>Government</u>
Cash and Cash Equivalents	\$ 807,929	\$ 4,727	\$ 812,656

The bank balance of the Township's deposits is \$818,683, of which \$379,121 is covered by federal depository insurance, \$72,739 is uninsured and \$366,823 is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Depositories actively used by the Township during the year are detailed as follows:

1. Chemical Bank
2. Fifth Third Bank
3. Valley Ridge Bank
4. National City Bank
5. Shelby State Bank
6. Huntington Bank

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

Notes to the Financial Statements (Continued)

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Fire Equipment Fund</u>	<u>Perpetual Care Fund</u>	<u>Non-Major and Other Funds</u>	<u>Total</u>
State Shared Revenue	\$ 27,969	\$ -	\$ -	\$ -	\$ -	\$ 27,969
Fiduciary Funds	3,624	-	-	-	-	3,624
Other Gross Receivables	652	-	-	-	-	652
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	\$ 32,245	\$ -	\$ -	\$ -	\$ -	\$ 32,245

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 149,185	\$ 150	\$ -	\$ 149,335
Capital Assets Being Depreciated				
Buildings	135,360	-	-	135,360
Land Improvements	5,597	19,655	-	25,252
General Equipment	61,454	-	-	61,454
Fire Equipment	<u>350,359</u>	<u>62,455</u>	<u>-</u>	<u>412,814</u>
Subtotal	552,770	82,110	-	634,880
Less Accumulated Depreciation for				
Buildings	38,772	2,495	-	41,267
Land Improvements	252	455	-	707
General Equipment	9,977	7,965	-	17,942
Fire Equipment	<u>173,763</u>	<u>22,466</u>	<u>-</u>	<u>196,229</u>
Subtotal	<u>222,764</u>	<u>33,381</u>	<u>-</u>	<u>256,145</u>
Net Capital Assets Being Depreciated	330,006	48,729	-	378,735
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 479,191</u>	<u>\$ 48,879</u>	<u>\$ -</u>	<u>\$ 528,070</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Public Safety	\$ 22,466
Unallocated	<u>10,915</u>
Total Governmental Activities	33,381

Notes to the Financial Statements (Continued)

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund (Due From)	Amount	Payable Fund (Due To)	Amount
General Fund	\$ 18,979	Fire Fund	\$ 24,950
Liquor License	366	Fire Equipment	6,003
Road, Sidewalk, Bridges	6,321	Perpetual Care Fund	932
Street Light	<u>9,843</u>	Trust and Agency Fund	419
	35,509	Tax Account	<u>3,205</u>
			35,509
Interfund Transfers		Transfers (Out)	
		General Fund	
Transfers In			
Non-Major Governmental Funds		\$ 21,005	
Transfers Out			
General Fund		(21,005)	

NOTE G LEASES

Capital Leases - The government has entered into a lease agreement as lessee for financing the purchase of copy machines. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

Year Ended June 30	
2006	\$ 1,375
2007	1,375
2008	1,375
2009	<u>573</u>
Total Minimum Lease Payments	4,698
Less: Amounts Representing Interest	<u>638</u>
Present Value	<u>\$ 4,060</u>

NOTE H LONG-TERM DEBT

The Township entered into an agreement to refurbish a fire truck for \$62,455. Payments of \$3,476,07, including 4.39% interest are due quarterly from July 1, 2005 to August 15, 2004 to April 1, 2010. The loan is collateralized by the truck and the full faith and credit of the Township.

Notes to the Financial Statements (Continued)

The Township entered into an agreement to purchase equipment for \$27,733. A down payment of \$2,500 was made upon delivery, July 23, 2003, with the balance to be financed over 36 months. Payments of \$700.90, including 9% interest, are due monthly from August 23, 2003 to July 23, 2006. The loan is collateralized by the equipment and the full faith and credit of the Township.

The Township entered into an agreement to purchase a fire rescue van on October 27, 2003 for \$52,895. The full amount is financed over 4 years, with payments of \$3,548.26, including 3.5% interest paid quarterly commencing December 27, 2003 and ending September 27, 2007. The loan is collateralized by the rescue van and the full faith and credit of the Township.

Contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Installment Purchase Agreements						
Fire Rescue Van	3.5%	9/27/07	\$ 43,071	\$ (12,713)	\$ 30,358	\$ 13,310
Fire Truck	4.39%	4/1/10	-	62,455	62,455	11,702
Equipment	0%	7/23/06	<u>17,523</u>	<u>(8,411)</u>	<u>9,112</u>	<u>8,411</u>
Total Governmental Activities			<u>\$ 60,594</u>	<u>\$ 41,331</u>	<u>\$ 101,925</u>	<u>\$ 33,423</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 33,421	\$ 3,087
2007	26,491	2,447
2008	15,528	1,532
2009	12,953	951
2010	<u>13,531</u>	<u>373</u>
Total	<u>\$ 101,924</u>	<u>\$ 8,390</u>

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

The Township provides pension benefits to all of its elected officials and full time employees through a defined contribution plan administered by Manufacturers Life

Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on August 1st of each year. As established by the Township Board, the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by a matching contribution from the Township. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township. The Township's current year pension cost was \$5,591. The Township paid \$5,899 during the year, including participant fees. \$4,579 was paid on behalf of the employees in the current year. The contribution is 10% of covered wages, with the Township contributing 50% of the cost and the employees 50%. Covered payroll for the current year is \$91,578; and total payroll of the Township is \$131,902.

NOTE K PERMITS

Public Act 245 of 1999 (The Stille-Derossett-Hale Single State Construction Code Act) restricts the use of fees collected under this Act for the operation of the enforcing agency and/or the Construction Board of Appeals effective January 1, 2000. The following is the required accounting for such fees:

Beginning Excess Costs Over Fees Collected	\$ (18,251)
Fees Collected 2005	24,508
Wages, Professional Fees and Other Expenses	<u>(23,980)</u>
Excess Costs Over Fees Collected	<u>\$ (17,723)</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 478,557	\$ 478,557	\$ 478,557	\$ -
Resources (Inflows)				
Property Taxes	62,570	62,570	61,249	(1,321)
State Shared Revenue	199,907	199,907	194,114	(5,793)
Charges for Services	63,585	63,585	44,114	(19,471)
Interest	20,222	20,222	6,853	(13,369)
Miscellaneous	<u>11,200</u>	<u>11,200</u>	<u>19,003</u>	<u>7,803</u>
Amounts Available for Appropriation	836,041	836,041	803,890	(32,151)
Changes to Appropriations (Outflows)				
General Government	266,540	266,540	213,571	52,969
Public Safety	56,284	56,284	38,183	18,101
Public Works	38,159	38,159	37,689	470
Recreation and Culture	26,150	26,150	20,540	5,610
Operating Transfers Out	25,000	25,000	21,005	3,995
Capital Lease	<u>-</u>	<u>-</u>	<u>1,375</u>	<u>(1,375)</u>
Total Charges to Appropriations	<u>412,133</u>	<u>412,133</u>	<u>332,363</u>	<u>79,770</u>
Budgetary Fund Balance - June 30, 2005	<u>\$ 423,908</u>	<u>\$ 423,908</u>	<u>\$ 471,527</u>	<u>\$ 47,619</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the Fire Fund For the Year Ended June 30, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 27,900	\$ 27,900	\$ 146,434	\$ 118,534
Resources (Inflows)				
Property Taxes	70,200	70,200	83,008	12,808
Charges for Services	26,475	26,475	31,641	5,166
Interest	5,000	5,000	2,089	(2,911)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>1,841</u>	<u>(4,159)</u>
Amounts Available for Appropriation	135,575	135,575	265,013	129,438
Changes to Appropriations (Outflows)				
Wages and Fringes	34,000	34,000	30,161	3,839
Supplies	18,000	18,000	11,801	6,199
Professional Services	8,000	8,000	7,979	21
Insurance	15,000	15,000	13,448	1,552
Utilities	7,000	7,000	6,815	185
Repairs and Maintenance	9,000	9,000	4,520	4,480
Capital Outlay	23,000	23,000	14,919	8,081
Other	<u>17,500</u>	<u>17,500</u>	<u>6,428</u>	<u>11,072</u>
Total Charges to Appropriations	<u>131,500</u>	<u>131,500</u>	<u>96,071</u>	<u>35,429</u>
Budgetary Fund Balance - June 30, 2005	<u>\$ 4,075</u>	<u>\$ 4,075</u>	<u>\$ 168,942</u>	<u>\$ 164,867</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the Fire Equipment Fund For the Year Ended June 30, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 9,355	\$ 9,355	\$ 82,743	\$ 73,388
Resources (Inflows)				
Property Taxes	24,250	24,250	29,079	4,829
Interest	1,200	1,200	969	(231)
Proceeds from Long-Term Debt	<u>-</u>	<u>-</u>	<u>62,455</u>	<u>62,455</u>
Amounts Available for Appropriation	34,805	34,805	175,246	140,441
Changes to Appropriations (Outflows)				
Capital Outlay	29,000	29,000	62,455	(33,455)
Debt Service	-	-	27,310	(27,310)
Interest	<u>-</u>	<u>-</u>	<u>1,479</u>	<u>(1,479)</u>
Total Charges to Appropriations	<u>29,000</u>	<u>29,000</u>	<u>91,244</u>	<u>(62,244)</u>
Budgetary Fund Balance - June 30, 2005	<u>\$ 5,805</u>	<u>\$ 5,805</u>	<u>\$ 84,002</u>	<u>\$ 78,197</u>

HOLTON TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule for the Perpetual Care Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 46,635	\$ 46,635	\$ 46,635	\$ -
Resources (Inflows)				
Interest	550	550	746	196
Other	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Amounts Available for Appropriation	47,185	47,185	47,481	296
Changes to Appropriations (Outflows)				
Repairs and Maintenance	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary Fund Balance - June 30, 2005	<u>\$ 47,185</u>	<u>\$ 47,185</u>	<u>\$ 47,481</u>	<u>\$ 296</u>

HOLTON TOWNSHIP

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	<u>Special Revenue Funds</u>				Total Non-Major Governmental Funds
	<u>Fire Volunteer</u>	<u>Liquor</u>	<u>Street Lights</u>	<u>Roads, Sidewalks & Bridges</u>	
ASSETS					
Cash	\$ 524	\$ (87)	\$ 18,231	\$ 748	\$ 19,416
Due From Other Funds	<u>-</u>	<u>366</u>	<u>9,843</u>	<u>6,321</u>	<u>16,530</u>
Total Assets	<u>\$ 524</u>	<u>\$ 279</u>	<u>\$ 28,074</u>	<u>\$ 7,069</u>	<u>\$ 35,946</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	\$ -	\$ 125	\$ 375	\$ -	\$ 500
Withheld and Accrued					
Payroll Taxes	-	14	-	-	14
Due to Other Funds	-	-	-	-	-
Due to Other Governments	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Total Liabilities	-	149	375	-	524
Fund Equity					
Fund Balance	<u>524</u>	<u>130</u>	<u>27,699</u>	<u>7,069</u>	<u>35,422</u>
Total Liabilities and Fund Equity	<u>\$ 524</u>	<u>\$ 279</u>	<u>\$ 28,074</u>	<u>\$ 7,069</u>	<u>\$ 35,946</u>

HOLTON TOWNSHIP

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2005

	<u>Special Revenue Funds</u>				Total Non-Major Governmental Funds
	<u>Fire Volunteer</u>	<u>Liquor</u>	<u>Street Lights</u>	<u>Roads, Sidewalks & Bridges</u>	
Revenues					
Taxes	\$ -	\$ -	\$ 7,416	\$ -	\$ 7,416
State Sources	-	1,123	-	-	1,123
Federal Sources	-	-	-	744	744
Interest	3	3	160	4	170
Other Revenue	<u>556</u>	<u>174</u>	<u>-</u>	<u>-</u>	<u>730</u>
Total Revenues	559	1,300	7,576	748	10,183
Expenditures					
Public Safety	91	1,615	-	-	1,706
Public Works	<u>-</u>	<u>-</u>	<u>4,636</u>	<u>21,226</u>	<u>25,862</u>
Total Expenditures	91	1,615	4,636	21,226	27,568
Excess Revenue Over Expenditures	468	(315)	2,940	(20,478)	(17,385)
Other Financing Sources (Uses)					
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,005</u>	<u>21,005</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	468	(315)	2,940	527	3,620
Fund Balance - July 1, 2004	<u>56</u>	<u>445</u>	<u>24,759</u>	<u>6,542</u>	<u>31,802</u>
Fund Balance - July 1, 2005	<u><u>\$ 524</u></u>	<u><u>\$ 130</u></u>	<u><u>\$ 27,699</u></u>	<u><u>\$ 7,069</u></u>	<u><u>\$ 35,422</u></u>

HOLTON TOWNSHIP

Statement of Revenue, Expenditures and
Change in Fund Balance - Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES			
Property Taxes	\$ 62,570	\$ 61,249	\$ (1,321)
Licenses and Permits	1,850	2,990	1,140
State Shared Revenue	199,907	194,114	(5,793)
Charges for Services			
Sale of Lots	6,635	3,987	(2,648)
Dump Fees	23,000	18,364	(4,636)
Inspections and Hearings	33,950	21,763	(12,187)
Interest	20,222	6,853	(13,369)
Rentals	250	675	425
Refunds - Reimbursements	3,500	6,595	3,095
Franchise Fees	4,700	4,706	6
Miscellaneous	<u>900</u>	<u>4,037</u>	<u>3,137</u>
Total Revenues	357,484	325,333	(32,151)
EXPENDITURES			
General Government			
Township Board			
Salaries and Wages		19,657	
Transportation		26	
Education and Training		69	
Miscellaneous		<u>4,974</u>	
	22,273	24,726	(2,453)
Township Supervisor			
Salaries and Wages		11,146	
Transportation		441	
Education and Training		859	
Miscellaneous		<u>120</u>	
	12,546	12,566	(20)
Elections			
Salaries and Wages		1,899	
Supplies		385	
Transportation		21	
Education and Training		203	
Miscellaneous			<u>9</u>
	4,450	2,517	1,933
Clerk			
Salaries and Wages		11,146	
Supplies		709	
Transportation		461	
Education and Training		365	
Miscellaneous		<u>50</u>	
	\$ 14,346	\$ 12,731	\$ 1,615

Statement of Revenue, Expenditures and Change in Fund
Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Treasurer			
Salaries and Wages		\$ 13,215	
Transportation		473	
Supplies		497	
Miscellaneous		<u>-</u>	
	\$ 14,505	14,185	\$ 320
Assessor			
Salaries and Wages		285	
Professional Services		<u>20,304</u>	
	23,400	20,589	2,811
Township Hall			
Salaries and Wages		17,584	
Professional Services		4,722	
Supplies		4,065	
Transportation		26	
Repairs and Maintenance		7,843	
Utilities		11,227	
Miscellaneous		96	
Capital Outlay		<u>2,980</u>	
	67,280	48,543	18,737
Board of Review & Appeals			
Salaries and Wages	450	120	330
Cemetery			
Salaries and Wages		17,386	
Supplies		264	
Utilities		328	
Miscellaneous		1,384	
Repairs		15	
Professional Services		2,309	
Capital Outlay		<u>8,961</u>	
	\$ 47,690	\$ 30,647	\$ 17,043

Statement of Revenue, Expenditures and Change in Fund
Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
General Government			
Payroll Taxes		\$ 4,154	
Pension		3,287	
Supplies		4,525	
Professional Services		21,028	
Printing and Publishing		1,671	
Insurance		10,666	
Dues		1,089	
Miscellaneous		377	
Capital Outlay		<u>150</u>	
	<u>\$ 59,600</u>	<u>46,947</u>	<u>\$ 12,653</u>
Total General Government	266,540	213,571	52,969
Public Safety			
Building Inspection			
Professional Services		10,755	
Miscellaneous		<u>167</u>	
	19,200	10,922	8,278
Electrical Inspection			
Professional Services		4,605	
Miscellaneous		<u>136</u>	
	4,600	4,741	(141)
Mechanical Inspection			
Professional Services		3,710	
Miscellaneous		<u>114</u>	
	3,800	3,824	(24)
Plumbing Inspections			
Professional Services		4,364	
Miscellaneous		<u>129</u>	
	6,000	4,493	1,507
Ordinance Administrator and Enforcer			
Salaries and Wages		7,934	
Supplies		47	
Transportation		<u>669</u>	
	\$ 5,428	\$ 8,650	\$ (3,222)

Statement of Revenue, Expenditures and Change in Fund
Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Planning and Zoning			
Salaries and Wages		\$ 3,116	
Supplies		37	
Professional Services		<u>2,400</u>	
	<u>\$ 17,256</u>	<u>5,553</u>	<u>\$ 11,703</u>
Total Public Safety	56,284	38,183	18,101
Public Works			
Transfer Station			
Salaries and Wages		2,920	
Professional Services		30,908	
Utilities		461	
Capital Outlay		<u>3,000</u>	
	37,659	37,289	370
County Drains	<u>500</u>	<u>400</u>	<u>100</u>
Total Public Works	38,159	37,689	470
Recreation and Culture			
Parks			
Supplies		3,132	
Capital Outlay		<u>13,964</u>	
	14,950	17,096	(2,146)
Library			
Professional Services		2,618	
Repairs and Maintenance		12	
Utilities		<u>814</u>	
	<u>11,200</u>	<u>3,444</u>	<u>7,756</u>
Total Recreation and Culture	<u>26,150</u>	<u>20,540</u>	<u>5,610</u>
Total Expenditures	<u>\$ 387,133</u>	<u>\$ 309,983</u>	<u>\$ 77,150</u>

Statement of Revenue, Expenditures and Change in Fund
Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Excess Revenues Over (Under)			
Expenditures	\$ (29,649)	\$ 15,350	\$ 44,999
Other Financing Sources (Uses)			
Operating Transfers Out	(25,000)	(21,005)	3,995
Capital Lease	<u>-</u>	<u>(1,375)</u>	<u>(1,375)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(22,380)</u>	<u>2,620</u>
Excess Revenues and Sources Over (Under) Expenditures and Uses	(54,649)	(7,030)	47,619
Fund Balance - July 1, 2004	<u>478,557</u>	<u>478,557</u>	<u>-</u>
Fund Balance - June 30, 2005	<u>\$ 423,908</u>	<u>\$ 471,527</u>	<u>\$ 47,619</u>

Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



October 28, 2005

Township Board
Holton Township
P.O. Box 328
Holton, MI 49425

Dear Board Members:

We have audited the financial statements of Holton Township as of and for the year ended June 30, 2005 and issued our report thereon dated September 8, 2005. As a part of our audit, we studied and evaluated the Township's accounting and administrative controls as well as compliance with laws having a bearing on the fair presentation of your financial statements. Because this study was only part of the overall audit plan, it is not intended to be a complete review of all your accounting procedures; and, therefore, would not necessarily disclose all weaknesses in your system. Accordingly, we offer the following comments and recommendations:

Books and Records

The books and records were in good shape again this year. We would like to commend the clerk and treasurer for working together during this year of transition. We have a few recommendations which we believe will ensure proper postings to the different funds.

Over the past several years, we have recommended an improved method of recording the interest income by the various funds. Currently all interest is posted to the general fund revenue account. We understand that the new treasurer is working on properly reporting revenue by fund. The last step in this would involve setting up new account numbers in Quickbooks and allocating the interest monthly to the appropriate fund at the time of the bank reconciliation.

Similar to the interest allocation above, all pension expense and the employer's share of social security and medicare taxes are all being posted to the general fund. These expenses should be allocated to each fund based upon payroll expense (i.e. if an employee's payroll expense is in the fire fund, social security, medicare, and pension expense should be posted in the fire fund). We recommend the clerk set up additional accounts, if necessary, in Quickbooks to correct this issue.

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Muskegon
950 W. Norton Ave.
Suite 500
Muskegon, MI 49441
Phone (231) 733-0076
Fax (231) 733-0185

Hart
2332 North Comfort Drive
Hart, MI 49420
Phone (231) 873-5611
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Whitehall
116 W. Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

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October 28, 2005

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By making the above changes this will help insure cash, revenues, and expenses are being properly reported across the various funds.

Deposits

During the year the Township borrowed money to refurbish a fire truck and proceeds were received by check in the Township's name. Instead of depositing the check in the Township's account, the check was signed over to the vendor and the vendor cashed the check. All moneys received by the Township should be receipted and deposited into the Township's bank accounts. Without this step, internal controls are being bypassed which can create an opportunity for fraud.

Transfer Station

Information on the transfer station has been a part of this letter for the past several years. Even though it has been the Board's position that this is a service to be provided in part by the Township, it is important that the Board consider the management of this service regularly. During the current year we noted that the revenue decreased by \$4,231 while expenditures increased \$3,004 (capital outlay consisted of \$3,000 to purchase a building), resulting in the second largest deficit over the last eight years (\$18,925). We again recommend that the collections be reviewed periodically for reasonableness and timeliness each month and look for unusual changes in deposits when there is a change in attendants.

Budgeting

We have made recommendations with regard to the budget requirements in the past. Even though the 2004-2005 budget is not in compliance with the Michigan Department of Treasury guidelines, steps have been taken to ensure the 2005-2006 budget will comply. Also, it is important to review the current year budget and compare to actual results at least quarterly to follow the progress of the Township.

It has been a pleasure working with Holton Township and the courtesy extended to us. If you have any questions or would like help implementing any of the above procedures, please let us know.

Respectfully submitted,

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants